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**LETTER APPLICATION FOR QUALIFICATION OF A PROJECT FOR THE  
 INCENTIVE TAX RATE PURSUANT TO THE NEW MEXICO ENHANCED OIL  
 RECOVERY ACT**

September 15, 2009

Mark E. Fesmire, P.E.  
 Director  
 Oil Conservation Division  
 New Mexico Department of Energy,  
 Minerals and Natural Resources  
 1220 South Saint Francis Drive  
 Santa Fe, New Mexico 87505

Re: Case 14385: Application of BTA Oil Producers LLC for approval of a lease water flood project in the Lower Brushy Canyon interval of the Delaware formation and for Qualification of said project for the Recovered Oil Tax Rate Pursuant to the Enhanced Oil Recovery Act, Lea County, New Mexico.

Dear Mr. Fesmire:

In conjunction with its application filed with the Division for approval of the referenced lease water flood project, BTA Oil Producers LLC hereby makes application to qualify the project area for the recovered oil tax rate as authorized by the Enhanced Oil Recovery Act. BTA plans to commence water flood operations in the project area during the 3rd quarter of 2009.

BTA makes this application pursuant to the rules promulgated by Oil Conservation Commission Order No. R-9708 entered on August 27, 1992. In accordance with this Order, BTA provides the following information:

- A. Operator's name and address:**  
 BTA Oil Producers LLC  
 104 South Pecos  
 Midland, Texas 79701

**B. Description of the project area:**

1. Attachment "A" is a plat outlining the project area
2. The following acreage is located in the project area:  
W/2 NW/4 Section 11, T23S-R28E, Eddy County, NM
3. Total acres:  
80 acres
4. Subject pool and formation:  
Loving, Brushy Canyon, East Pool in the Delaware formation.

**C. Status of operations in the project area:**

The project area is currently subject to primary production from 3 wells.

**D. Method of recovery to be used:**

Produced water from area Brushy Canyon producers will be injected into the Brushy Canyon interval.

**E. Description of the project:**

1. List of producing wells:  
Attachment "B" contains a list of all producing wells within the project area
2. List of injection well:  
8808 JV-P Pardue D Well #2 (API No. 30-015-26406), located 990 FNL and 660 FWL in the NW/4 of Section 11, T-23-S, R-28-E, NMPM, Eddy County, NM.
3. Capital costs of additional facilities:

Description	Cost
Field installations and upgrades	\$ 233,500
Development drilling cost	\$ 0
Well remediation & misc. costs	\$ 0
Injection work	<u>\$ 134,500</u>
	\$ 368,000

4. Total project costs:

4. Total project costs:

\$ 368,000

5. Estimated total value of the additional production that will be recovered as a result of this project:

Using an average price for the oil of \$70 and an equivalent barrel based price for the gas, the value of the additional hydrocarbons to be produced from the proposed project (246 M STBO and 246 MMCF) is \$18.2 MM (Total Sales) and \$10 MM net income to the working interest owners.

6. The anticipated date for commencement of injection:

11/01/09

7. Identify the fluid to be injected and the anticipated volumes:

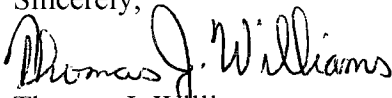
Produced water from area Brushy Canyon producers at an average volume of 550 BWPB and a maximum volume of 1500 BWPB.

8. Production Data:

Attachment Exhibit "C" is a graph which shows the production and injection history for the project and Attachment "D" is a graph showing forecast of the enhanced recovery of oil, gas, casinghead gas and water anticipated from this project.

Thank you for your attention to this matter.

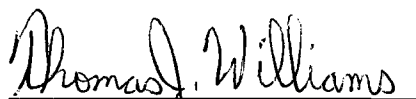
Sincerely,

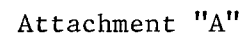


Thomas J. Williams  
Production Engineer  
For BTA Oil Producers LLC

I hereby certify that the information set forth above is true and correct to the best of my knowledge.

BTA Oil Producers LLC

  
By: Thomas J. Williams



Attachment to Letter App/Incentive Tax Rate  
Pardue "D", 8808 JV-P, #2  
30-015-26406  
09/15/2009

### Attachment "B"

8808 JV-P Pardue D #1 (API 30-015-26325) located 1980' FNL & 660' FWL in the NW/4 of Section 11, T23S-R28E, NMPM, Eddy County, NM

8808 JV-P Pardue D #3 (API 30-015-35870) located 1655' FNL & 990' FWL in the NW/4 of Section 11, T23S-R28E, NMPM, Eddy County, NM

# Rate/Time Graph

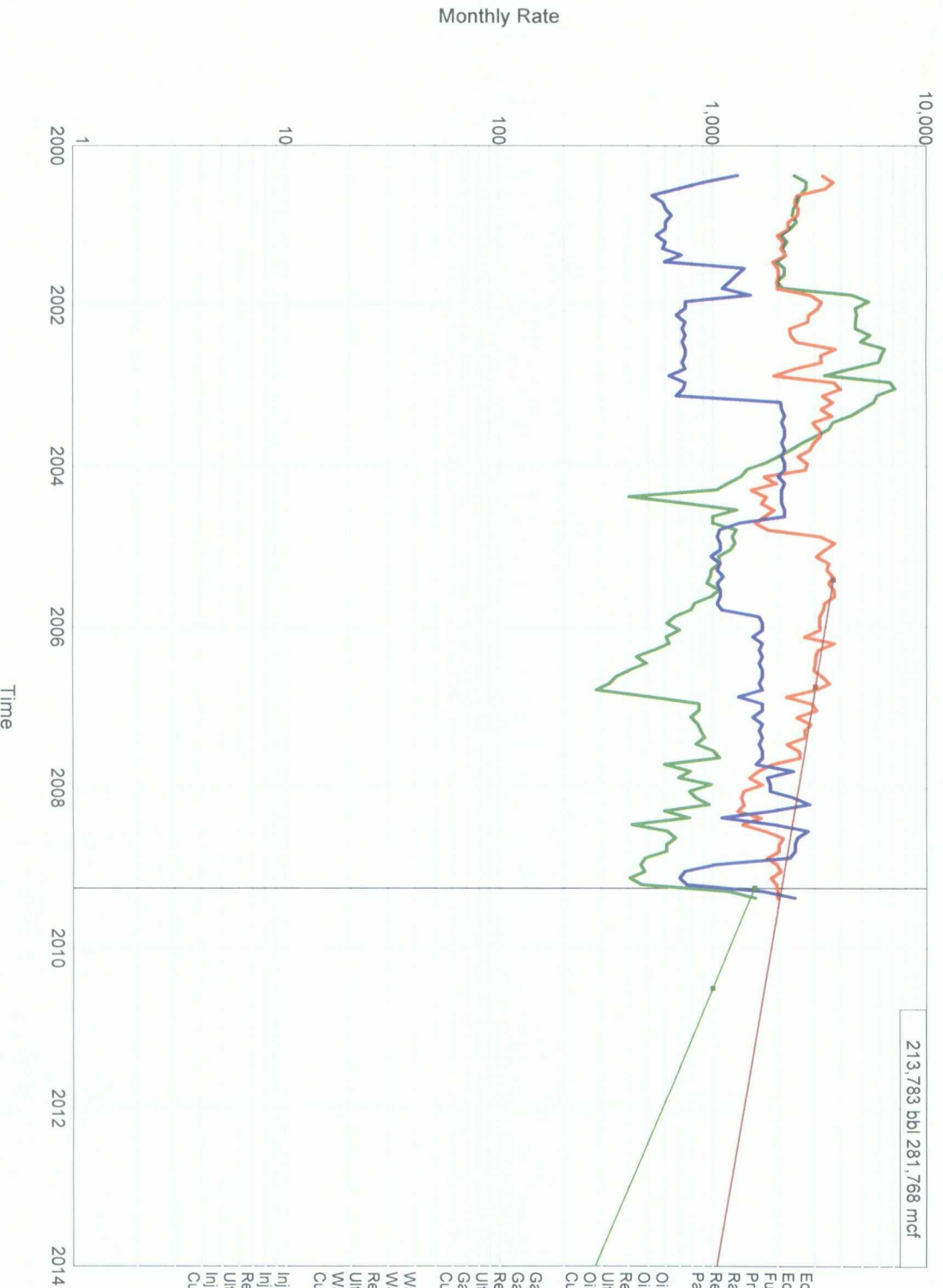
Project: C:\Program Files\IHS Energy\PowerTools v9.0\Loving Delaware.mdb

Date: 9/14/2009  
Time: 2:23 PM

Lease Name: Pardue D Upper BRSC ()  
County, ST: ,  
Location: 0-0-0

Operator:  
Field Name:

Pardue D Upper BRSC - Pardue D Upper BRSC



Economic Limit: 09/2023  
Economic Life: 174 mo  
Future Net Revenue: \$1,543,670  
Present Worth: \$1,203,665  
Rate of Return: >100 %  
Return on Invest: 0.00  
Payout Date: n/a

Oil at Effective Date: 1,550 bbl  
Oil at Economic Limit: 8 bbl  
Rem Oil (Decline): 51,509 bbl  
Ult Oil (Decline): 262,511 bbl  
Oil Decline at Eff Date: 30.43 %  
Cum Oil at Eff Date: 211,002 bbl

Gas at Effective Date: 2,075 mcf  
Gas at Economic Limit: 251 mcf  
Rem Gas (Decline): 150,451 mcf  
Ult Gas (Decline): 428,199 mcf  
Gas Decline at Eff Date: 13.63 %  
Cum Gas at Eff Date: 277,748 mcf

Water at Effective Date: 1,481 bbl  
Water at Economic Limit: 10 bbl  
Rem Water (Decline): 52,750 bbl  
Ult Water (Decline): 205,012 bbl  
Water Decline at Eff Date: 29.38 %  
Cum Water at Eff Date: 152,262 bbl

Inj at Effective Date: 0 bbl  
Inj at Economic Limit: 0 bbl  
Rem Inj (Decline): 0 bbl  
Ult Inj (Decline): 0 bbl  
Inj Decline at Eff Date: 0.00 %  
Cum Inj at Eff Date: 0 bbl

# Rate/Time Graph

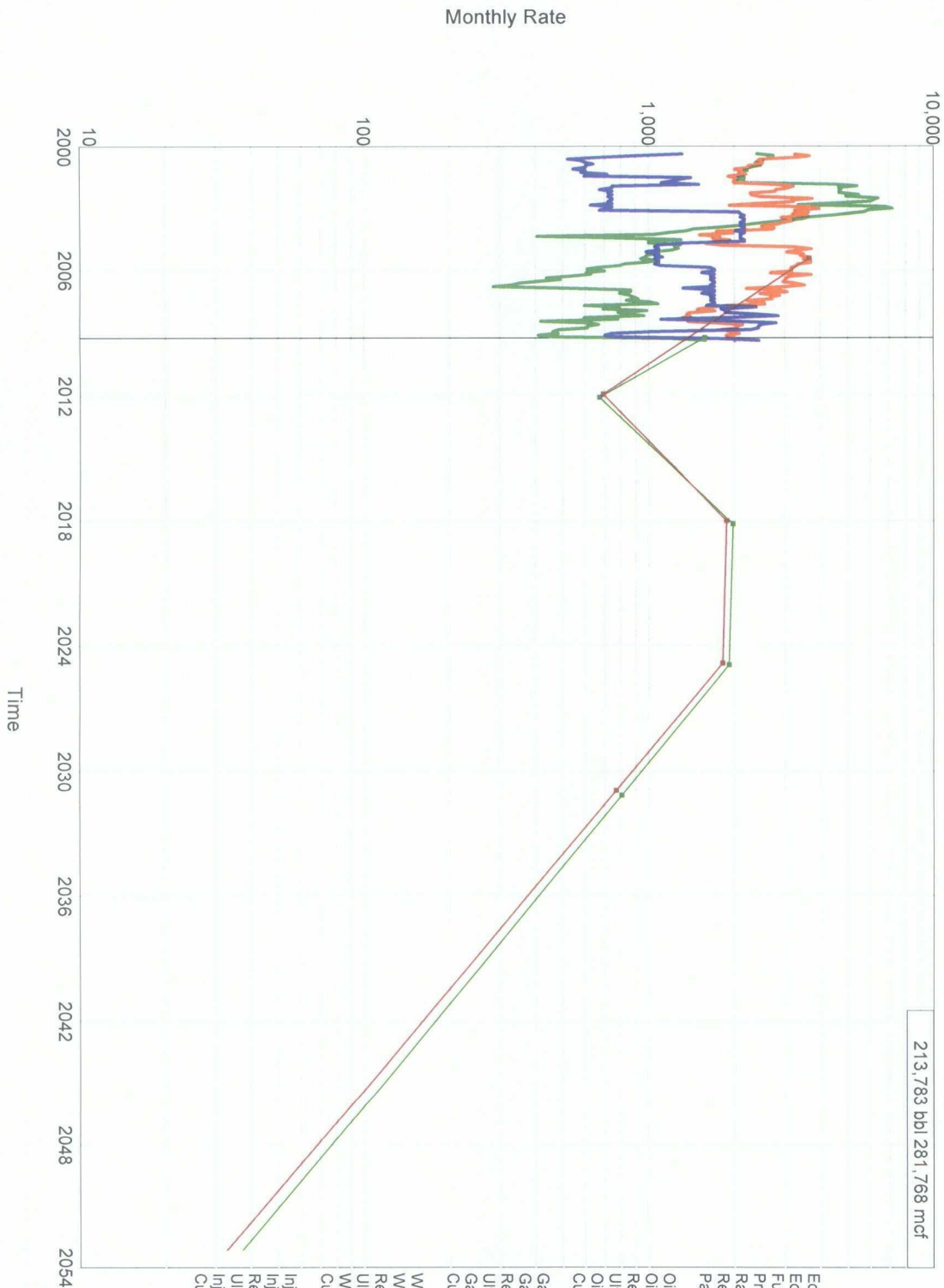
Lease Name: Pardue D Upper BRSC ()  
County, ST: ,  
Location: 0-0-0

Project: C:\Program Files\IHS Energy\PowerTools v9.0\Loving Delaware.mdb

Operator:  
Field Name:

Date: 9/14/2009  
Time: 2:28 PM

Pardue D Upper BRSC - Pardue D Upper BRSC



Economic Limit: 02/2053  
Economic Life: 527 mo  
Future Net Revenue: \$11,457,084  
Present Worth: \$3,982,791  
Rate of Return: >100 %  
Return on Invest: 0.00  
Payout Date: n/a  
Oil at Effective Date: 1,554 bbl  
Oil at Economic Limit: 38 bbl  
Rem Oil (Decline): 443,051 bbl  
Ult Oil (Decline): 654,053 bbl  
Cum Oil at Eff Date: 211,002 bbl  
Oil Decline at Eff Date: 25.95 %  
Gas at Effective Date: 1,358 mcf  
Gas at Economic Limit: 33 mcf  
Rem Gas (Decline): 422,145 mcf  
Ult Gas (Decline): 699,893 mcf  
Gas Decline at Eff Date: 22.59 %  
Cum Gas at Eff Date: 277,748 mcf  
Water at Effective Date: 1,481 bbl  
Water at Economic Limit: 0 bbl  
Rem Water (Decline): 53,085 bbl  
Ult Water (Decline): 205,347 bbl  
Water Decline at Eff Date: 29.38 %  
Cum Water at Eff Date: 152,262 bbl  
Inj at Effective Date: 0 bbl  
Inj at Economic Limit: 0 bbl  
Rem Inj (Decline): 0 bbl  
Ult Inj (Decline): 0 bbl  
Inj Decline at Eff Date: 0.00 %  
Cum Inj at Eff Date: 0 bbl